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INTEGRATION OF SUSTAINABILITY INTO CORPORATE STRATEGY, A CASE STUDY ON GEOTHERMAL POWER PRODUCER

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ABSTRACT

Sustainability becomes a pre-condition for doing business and its integration into corporate strategy levers value creation and creates sustainable competitive advantage. The paper aims to obtain empirical evidence on integration of sustainability into corporate strategies, in particular on the drivers of the integration, key success factors supporting the integration, and shared value created from such integration to create sustainable competitive advantage and shared value to its stakeholders. A qualitative case study, analyzing data obtained from interviews and sustainability reports and other documents, was used to explore the ten-year journey of sustainability integration of Indonesian geothermal power producer. The analysis reveals that drivers are highly influenced by industry type and legal compliance, which laid foundation for embedding sustainability awareness and culture into the company's personnel and its stakeholders. Further, drivers are interrelated to support the main drivers, competitive advantage and reputation. The success of integration is supported with management control system and the company's ability to balance the interests of the stakeholders to create shared value that benefits both the company and society. The study supports that capability-oriented companies achieve a better sustainability performance both in short-term and long term. In conclusion, the study shows that integrating sustainability to strategy is crucial into creating sustainable competitive advantage that would support industry growth.

Keywords: key performance indicator, stakeholders' management, sustainability integration, sustainability management, sustainability strategy

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1. INTRODUCTION

Sustainability has increasingly become a priority of government, business, and society. It has therefore become a common goal as well as common challenge, especially for business sector. Stakeholders become more aware of company role in achieving sustainability development goals and have the power to make choices and reward the companies that demonstrate strong commitment toward sustainability (Govindan, 2018). To remain successful and competitive, business must embrace the challenge and shift its focus from short-term profitability to creating long-term value. Research identifies drivers supporting or driving such shift. Drivers put pressure or motivate business to integrate sustainability as sustainability can be a threat but at the same time opportunities (Schrettle et al., 2014). Business can no longer merely react to the demands from its stakeholders, but must integrate sustainability into strategies and long-term vision with the ultimate goal of creating shared value for both business and society.

To be sustainable in the long term, a company must satisfy not only economic sustainability but also ecological and social known as triple bottom line (Dyllick & Hockerts, 2002; Elkington, 1998). Business must integrate social perspective into its corporate strategy and any sustainability approach that is not integrated to the strategy might cost the company to lose opportunity to benefit society (Porter Kramer Mark R., 2006). Like any other business strategy, corporate sustainability strategy should be tailored to suit the company's business environment taken into consideration its organizational influence (Engert et al., 2016). Company circumstances vary considerably and corporate sustainability strategies must be tailored to match those specific circumstances (Engert & Baumgartner, 2016).

Research offered framework to help businesses integrate sustainability into corporate strategy, one of which uses the 'outside in' and 'inside out' frameworks to understand the risk and opportunities from market-based perspective and resource-based (Porter Kramer Mark R., 2006). External factors affecting the integration include stakeholders' expectations and demand and its influence on the company's strategy. Stakeholder engagement is regarded as one of the important supporting factors for a successful implementation of sustainability strategy, which is often disregarded (Carroll, 1991; Engert et al., 2016). Upon acquiring the knowledge, businesses develop options and make strategic decisions in selecting optimal alternatives, whose value is defined by their contribution to reach the predefined goals (Schrettle et al., 2014). Thus, selecting the right strategy is a key to achieving both long-term value for companies and shared value with society.

As companies implement corporate sustainability strategy, they continuously face barriers and must continuously align their strategy to cope with the changing environment. Company can use four levers of control to serve as a compass to guide implementation of intended strategy to realized strategy or emergent strategy (Simons, 1994). Integrating sustainability into corporate strategy is a journey, and the company's strategy might evolve from introverted to extroverted, conservative and visionary strategy (Baumgartner, 2009).

Integration of sustainability must be accompanied by integration to the performance management systems to effectively communicate the strategy to the entire organization. Balanced scorecard (BSC) is considered as one of suitable sustainability performance measurement tool (Maas et al., 2016). Sustainability BSC, an enhancement to the conventional BSC, integrates the three pilars of sustainability into a single overarching management tool (Figge et al., 2002). Sustainability integration in performance management systems leads to better management and control of sustainability performance (George et al., 2016). Study also identified fundamental role of external stakeholders in influencing sustainability report measures and management focus (Villiers et al., 2016).

As company strategies vary depending on circumstances, many researchers performed case study on specific company from different industry to deep dive further the driver, formulation of strategy and strategy implementation. Literature on the implementation of corporate sustainability strategies is still scarce (Baumgartner, 2014; Klettner et al., 2014). Case study research would be valuable in assessing how corporate sustainability strategies are implemented (Klettner et al., 2014). Most of the studies focus on polluters or those that have an urgent need to integrate sustainability into their core business. Renewable energy power producer is seen as positive contributor to achievement of sustainable goals. As such, there is limited study on corporate sustainability strategy integration of a renewable energy company.

Despite its important role to prevent atmospheric temperatures from growing more than 2 degrees above pre-industrial levels as established under Paris Agreement (Change, 2015), at the current state, renewable energy is more costly and not appealing to business and wide society. Further, like any other company, renewable energy power producer company also caused environmental damage from its operation, specifically geothermal power producer with its exploration and exploitation activities.

The main focus of Indonesia power producer is cost reduction since all electricity produced is sold to PT Perusahaan Listrik Negara (Persero) at long-term contracted fixed price. The power producer is expected to provide the lowest price to reduce the government's subsidy on the electricity tariff for the public. As part of Indonesia's commitment to sustainable development goals, it targets to increase the use of renewable energy to 23% in 2030 and 31% in 2050 (Indonesia, 2014). Based on the electricity statistics, in 2020, renewable energy constitutes only 11% of total energy, with geothermal-fired power plant contributing only 3%. It has sat on 3% for the past ten years, despite huge geothermal potential that has not been explored (Kementerian Kelistrikan, 2020). The power industry is still dominated by coal-fired power plant due to its low-cost appeal. Indonesia Government introduced carbon tax in 2020 and policy to phase out from coal-fired power plant. However, the implementation of carbon tax was recently postponed due to surge of energy price. As such, renewable energy company cost reduction efforts become crucial in the long term. It will not only benefit the company, but it also plays an important role to the achievement of the sustainability development goals.

This study used individual geothermal power producer company in Indonesia as its lens for viewing sustainability strategies formulation and implementation along the company's journey to integrate sustainability into its core business. Company SEG (the "company"), which voluntarily published its sustainability report since 2009, it was selected on the basis of its high voluntary involvement in sustainability activity. The study focused on observing how the company's strategy evolved during more than ten years of implementation.

The study aims to evaluate the company's integration of sustainability into its strategy to answer the following research questions: (1) what drives the company to integrate sustainability into its strategy and whether the strategy has evolved and transformed along the integration journey; (2) what are the key success factors supporting the integration? and (3) what are the shared-values achieved from integrating sustainability to its strategy. The study aims to provide insight on the company's contribution to sustainability development goals beyond providing clean energy through the integration.

2. Literature Review

2.1. Drivers for sustainability

Sustainability was rooted from corporate social responsibility (CSR) which according to Visser (Visser, 2011) has evolved through various stage from (1) defensive CSR (activities only taken to protect shareholder value); (2)

charitable/ philanthropy CSR (contribution to the society as charity and donation) (3) promotional/ marketing CSR (used as opportunity to brand and reputation); (4) strategic CSR (integration of CSR into core business) and (5) systemic CSR (tackling root cause of sustainability issue characterize by innovative business model, revolutionary product and processes as well as influencing policies). The evolution of CSR indicates evolution of business case for CSR.

The most used sustainability definition is derived from sustainability development concept which, places the importance of responsible consumption to save the resources for the future generations (Nations, 1987). Sustainability development was then operationalized in a business context by introduction of triple bottom line approach (Elkington, 1998). Taking the approach further, corporate sustainability is then defined as “meeting the needs of a firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well” (Dyllick & Hockerts, 2002).

As businesses accept sustainability as pre-condition of doing business, understanding sustainability in the corporate context is important to understand the business case of sustainability. Business case for sustainability is created through strategic management, which requires a good understanding of how the driver of business case can be positively influenced by societal and environmental activities (Schaltegger et al., 2012). Numerous studies have been performed to gain understanding of the motivation and driver for sustainability, as summarized in Figure 1.

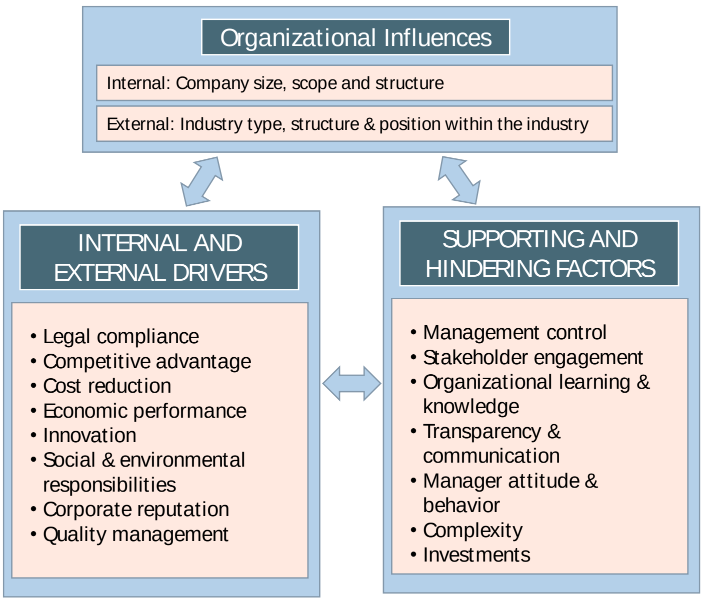

Figure 1. Factors affecting sustainability integration (Engert, et al., 2016).

2.2. STRATEGY FORMULATION: LINKING DRIVERS TO STRATEGY

Business case for sustainability sets the goal to be achieved and the drivers are often interconnected, leading towards the need for the company to integrate sustainability into its overall corporate strategy. The integration is fundamental to the achievement of durable competitive advantage and meeting increasing demand of its stakeholders and society (Engert et al., 2016). Business "must integrate a social perspective into the core frameworks it already uses to understand competition and guide its business strategy". Any sustainability approach that is "fragmented" and "disconnected from business and strategy" will "obscure many of the greatest opportunities for companies to benefit society". Sustainability strategic investment should lead to innovation, opportunity and competitive advantage (Porter Kramer Mark R., 2006). "Integrating sustainability into business means redesigning and redefining strategy and operational processes to face the changes and meet the needs and expectations of the market and society alike, with the ultimate goal of increasing competitiveness and supporting durable profitability" (Cici & D'Isanto, 2020). Integration also means corporate sustainability must become part of the company's vision, culture, governance, management, and performance systems (Steyn & Niemann, 2014).

The most prominent framework to guide sustainability strategy formulation is the triple-bottom line, which integrates the economic, environmental, and social aspects (Dyllick & Hockerts, 2002; Elkington, 1998). Focus on economics alone can only benefit the company in the short-term, while to sustain it in the long-term, all three dimensions should be met simultaneously (Dyllick & Hockerts, 2002).

Company circumstances vary considerably (e.g. industry sector, product or service type, stakeholder demands, policies, market changes, internal structures and processes, etc.). Thus, choosing a suitable sustainability strategy remains highly challenging (Porter Kramer Mark R., 2006). Porter suggested that sustainable strategic management should identify the areas of reciprocal dependence between the company and society and take a strategic and operational approach that aims for shared value. (Porter Kramer Mark R., 2006). Understanding stakeholders' expectations is critical in the integration of sustainability into strategies, which can be further explored using the pyramid of corporate social responsibilities (Carroll, 1991). As company resources and capability are constrained, companies must prioritize the initiatives that address the most relevant sustainability issues, meaning those with the highest potential for the creation of shared value. Companies that pursue initiatives that are linked to the stakeholders' preference and allocate resources strategically are more successful than those that do not (Michelon et al., 2013). However, initiatives should not be selected in isolation with other initiatives, as it will ignore the integrated and cumulative impact of multiple related strategic initiatives. Strategy map can be used to assist in linking strategic objectives in the four perspective of balanced scorecard (Kaplan & Norton, 2001).

Study shows that company integrates environmental and social sustainability priorities into traditional operation strategies (i.e., price-oriented, market-oriented, and capability-oriented models) that it already has rather than developing a new approach. Environmental and social sustainability are not isolated business priorities but are instead incorporated to enrich and expand traditional operations strategies. Study performed on companies in assembly industry operating in 21 countries showed that company with capability-oriented model through innovation as the driver perform better in both short-term financial performance and long-term operational and sustainability performance (Longoni & Cagliano, 2015). Therefore, corporate sustainability management must focus on innovation and stakeholder requirements as well as efficiency (Baumgartner, 2014). Alignment of existing strategies to incorporate threats or opportunities arising from environmental and social can also be dealt with using the four levers of control to assist companies in responding through formulation of emergent strategies (Simons, 1994). Bonn and Fisher (Bonn & Fisher, 2011) also suggest holistic framework that integrates sustainability into strategic decision-making process right from the beginning, as sustainability is embedded into vision and organization culture and continually addressed in planning and decision-making.

2.3. STRATEGY IMPLEMENTATION

The success of sustainability integration into corporate strategies lies in the strategy implementation. 'Strategy implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives (**Error! Reference source not found.**, 2007). Understanding supporting and hindering factors is crucial in strategy implementation. Figure 1 compiled supporting and hindering factors as a general observation summarized from the existing research (Engert et al., 2016). A previous case study reveals that organization structure, organizational culture, leadership, management control, employee motivations and qualifications, and communication were the key success factors of the corporate sustainability strategy implementation (Engert & Baumgartner, 2016).

In another study performed on 193 companies, most responded that integrating sustainability into business means to succeeding in measuring and monitoring environmental, social, and economic impacts of the corporation, i.e., the implementation (Cici & D'Isanto, 2020). Integrating sustainability into strategies also means integration of sustainability into performance measurement system as means of communication of corporate strategy to the entire organization. Measuring performance is also used to ensure that companies are able to track progress and identify barriers, strengthen enablers, and adjust the initiatives in the strategy implementation. Since many of the social and environmental attributes of sustainability are non-financial, the BSC approach can be an appropriate tool for measuring sustainability performance (Maas et al., 2016). The sustainability BSC integrates the three pilars of sustainability into a single overarching management tool, the so-called Sustainability Balanced Scorecard (SBSC). In formulating SBSC, three approaches can be used to, among others, formulate a specific environmental and social scorecard (Figge et al., 2002).

2.4. STRATEGY ALIGNMENT

Corporate sustainability strategies may not be suitable for all companies at all times (Salzmann et al., 2005). Strategies are implemented, reviewed, and aligned in response to changes in the competitive forces and available opportunities created by innovation. The four levers of control can be used to guide strategy implementation to ensure intended strategies are translated into realized strategies or emergent strategies. Management control system plays a role in elucidating strategic uncertainties and strategic risk (Simons, 1994). A combined management control system with sustainability control system and used them as both diagnostic and interactive control (Gond et al., 2012).

There are different types of sustainability strategy to deal with sustainability challenges. Introverted strategy focuses on all activities to ensure compliance with legal or other sustainability standards in order to avoid risks. Extroverted strategy focuses on external relationships with the aim of public acceptance and perceived as providing "green" communication rather than actual meaningful performance. Conservative strategy focuses on eco-efficiency, which aims for low-cost and low consumption of materials and energy, where emissions and waste are avoided. Visionary strategy focuses on sustainability issues within all business activities, and sustainable development is incorporated in vision and strategy. Competitive advantages are derived from differentiation and innovation (Baumgartner, 2009).

2.5. SUSTAINABILITY PERFORMANCE AND VALUE CREATION

Business sector contributions are mostly measured by achievement of the triple-bottom line, that is economic, environmental, and social performance. Research proposes a number of measures to assess corporate contributions to sustainability. For external reporting, companies mostly linked their sustainability performance with sustainable development goals in their sustainability reporting to demonstrate their contribution to sustainability. For internal management control purposes, many researchers have adopted BSC to evaluate sustainability performance.

Lastly, studies indicate that benefits businesses enjoy from integrating sustainability can be traced back to three macro categories, i.e., greater attractiveness for investors and risk reduction, customer commitment and reputational benefits and better management of human resources (Cici & D'Isanto, 2020). Corporate sustainability strategies should be aimed at generating shared value. (Porter Kramer Mark R., 2006). Not only integrating sustainability creates value for the company, but it also responds to the stakeholders' demand for solving environmental and social issues (Murthy, 2012). On a bigger perspective, as companies achieve high sustainability performance, it contributes to the achievement of sustainable development goals for the greater good of humanity.

3. RESEARCH METHODS

A qualitative case study was used to answer the research questions and to gain new insights that contribute to the current literature and knowledge. A case study aims to gain a deeper understanding of specific and unique situations by portraying, analyzing, and interpreting the situations. As strategy varies between companies, a case study provides a better method to gain a deeper understanding on how strategies were formulated and implemented and key success factors contributing to the success. Case study is more easily understood since it tries to portray "what it is like" to be in a particular situation, to catch the close-up reality and "thick description" of participants' lived experiences of, thoughts about and feelings for a situation. It is important in case studies for events and situations to be allowed to speak for themselves, rather than to be largely interpreted, evaluated, or judged by the researcher. In this respect, the case study is akin to the television documentary. (Navarro, 2007).

The method supports the research objective to gain a deeper understanding of the specific and unique situation of geothermal power producer in Indonesia coping with the challenges of the business environment and to contribute more than just providing clean energy, taking into account the following consideration: (1) geothermal power producer is unique due to its extractive nature which causes environmental issue as compared with the other renewable energy; (2) Geothermal company is governed by regulation prevailing at the time it obtained geothermal license and power purchase agreement therefore generalization is not possible; (3) publicly available information on geothermal company data is limited since most is privately owned. To answer the research question, the company was selected based on the following criteria: it had to (1) be in the geothermal power sector; (2) be based in Indonesia; (3) have sustainability integrated into its corporate strategy; (4) be considered as an exemplary case (prizes and awards related to sustainability); (6) having integrated sustainability in a considerable period of time to evaluate long-term value creation; and (5) be willing to share the experience of its integration process.

The case study is an explanatory with nature of testing theories (Yin, 1984), an evaluative type with nature of explaining and judging (Merriam, 1988) or instrumental case studies, which examine a particular case in order to gain insight into an issue or a theory (Stake, 1994). In performing an evaluation, criteria are developed to conclude on evaluation results (Ellet, 2007). This study uses criteria developed by the author based on literature and previous research.

The company data, as found in sustainability reports, bonds offerings, green bond annual reports, and other relevant documentation (homepage information, media coverage, etc.), was collected prior to the interview. In total, all existing sustainability reports from 2009 to 2020, green bond annual reports from 2019 to 2020, and green bond framework were analyzed. Further information about the company was also gathered from the bond offering memorandum, which is available publicly.

Primary data is gathered through qualitative interviews with the director and a person with high involvement in sustainability, with the profile included in Appendix 1. The interview was conducted virtually using semi-structured questions, in which pre-designed questions were provided to the interviewees before the interview by email. The interview is aimed at gaining an overview of how the company attempted to integrate sustainability into its strategy and to understand how the sustainability strategy implementation was realized. It is also aimed at confirming sustainability information and program gathered from publicly available information. The qualitative interviews lasted 60 to 90 minutes and were complemented with spontaneous questions and answers wherever it was felt to be appropriate. A follow up query was conducted to clarify information obtained during the analysis.

Literature in the research field relating to corporate sustainability strategy integration and implementation was analyzed to gather driver for sustainability integration and support evaluation of the sustainability integration. Figure 2 shows the summary of the internal and external criteria used in the analysis.

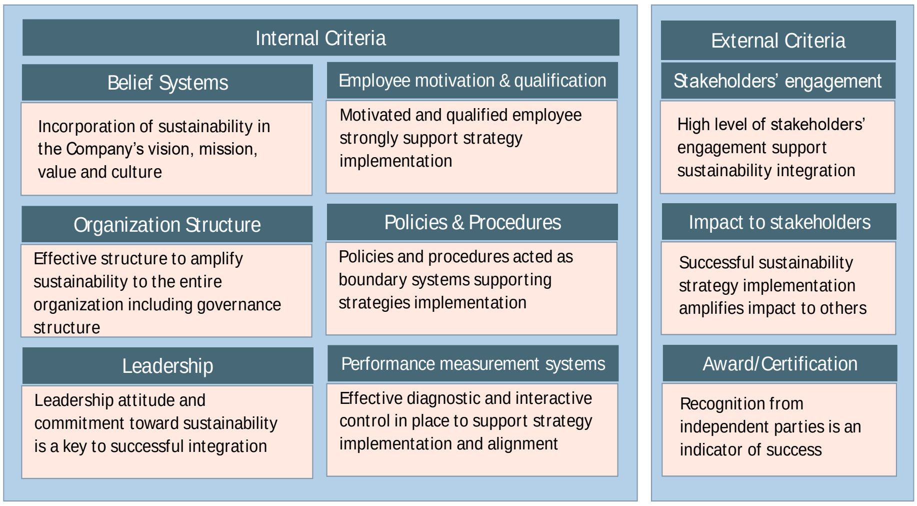

Figure 2. Sustainability integration evaluation criteria

Further, the analysis was extended to include the portrayal of shared value created from the sustainability integration as evidence of successful sustainability integration into corporate strategy.

4. Organization Profile

The company is a permanent establishment geothermal power producer company in Indonesia, operating a geothermal concession under a joint operating contract with the government through a state-owned company (PT Pertamina Geothermal Energy-PGE) and selling all of the electricity produced by its power plant to PT Perusahaan Listrik Negara (Persero) (PLN), a state-owned entity responsible for the nation's electricity distribution. The company has a long-term energy supply contract for the supply of electricity to PLN under a fixed tariff scheme, adjusted for inflation only.

The company is subject to various environmental, health, and safety laws and regulations relating to water, air, and noise pollution, the management of hazardous and toxic chemicals, materials, and waste and workplace conditions, and employee exposure to hazardous substances. The company establishes a number of Safety, Health and Environmental (SHE) programs in place to ensure workers' health and safety in the work place, as well as to ensure the health and safety of the local community where the company operates. These programs include plans, procedures, and policies regarding health and safety, administration, human resources, and emergency action issues.

The company employs approximately 130 employees and uses contractors as vendors to support its operations. The company's vision and mission have evolved since it first published its 2009 sustainability report, with one consistent theme that is to achieve competitive advantage through innovation in its production process and reputation as reliable power producer. The company's ambition is to be the leading geothermal energy company in the world. The company's organization is structured by function: Power Plant Operations, Asset Management, Financial and Administration, Strategy and Planning, and Legal Counsel. All departments are led by a Group Chief Officer, who directly reports to the Group Chief Executive Officer.

The company's stakeholders and their expectations along with the sustainability strategy, are summarized in Figure 3 below.

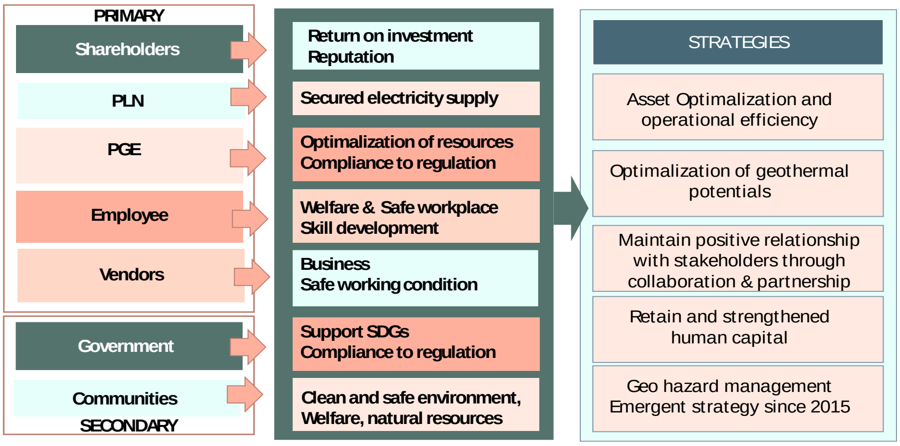

Figure 3. Stakeholders identification, their expectation and company's strategic response

The company won several sustainability-related awards. The most prestigious is the PROPER EMAS award from the Minister of Environment and Forestry of the Republic of Indonesia, which is the highest award for environmental, safety, and corporate social responsibility management. The company also has certification for ISO 14001 (Environmental Management System), OSHAS 18001 (Health and Safety Management System), and ISO 9001 (Quality Management System), and ISO 50001 (Energy Management System), and ISO 55001 (Asset Management System).Table 1 summarized the key sustainability performances monitored and mapped to the triple bottom line.

Table 1. Key sustainability performance

Economy value	Environmental value	Social value
Gross electricity production	Energy efficiency rate	Incident rate and frequency rate
Total electricity supplied to PLN	Self-produced electricity consumption	Number of training hours
Number of local vendor	Energy consumption intensity	Total value of corporate social contributions
Purchase value from local vendor	Emission generated (Scope 1)	Number of scholarship recipient
	Water consumption	Number of sustainability program recipient
	Volume of toxic waste and hazardous material usage	
	Number of trees planted	

In 2010, the company's power plant was registered by the United Nations Framework Convention on Climate Change (UNFCCC) as a Clean Development Mechanism project under the Kyoto Protocol, which allows the company to monetize its Certified Emission Reductions (CER). The company also issued green bonds in 2018 with a price of 100%, indicating strong demand for its bonds with a lower interest rate than its current bank loan financing. Subsequently, the group, to which the company belongs, acquired another geothermal block and also issued green bonds to finance the acquisition.

5. RESULTS AND DISCUSSION
5.1. DRIVER FOR SUSTAINABILITY INTEGRATION

Business case for sustainability is managing, advancing or innovating the link between voluntary environmental and social activities to improve corporate economic success. Thus, the business case has to include intention to solve societal and environmental problems and not only a reaction to regulations or economic reasons as part of conventional business behavior (Schaltegger et al., 2012). Therefore, gaining an understanding of the drivers of sustainability integration is important to understand how such drivers can be positively influenced by societal and environmental activities. The drivers may differ from one company to another depending on various factors. Consequently, it could influence the level of sustainability strategy implementation and, ultimately, sustainability performance.

During the interview, management explained that legal compliance, cost efficiency, innovation, competitive advantage, and reputation are the main drivers of sustainability integration. The study shows that industry sector type significantly influenced the legal compliance driver, which then served as the starting point for the sustainability integration. This finding is consistent with previous research which categorized industry type as an organization influence affecting the driver (Engert et al., 2016). The Main drivers influenced by the geothermal sector are legal compliance and cost efficiency. Due to the exploration nature of geothermal operation, strict SHE controls are imposed by the regulator on the company operating the geothermal field. Although implementing sustainability activities to merely comply with regulations is seen as not contributing enough to the sustainable development goals, the study showed that it established the foundation for sustainability integration. To ensure compliance with the regulation, the company must integrate SHE control into all aspects of its operations, including the vendor supporting its operation in the geothermal field. It then served as embedding SHE awareness to all personnel in the organization as well as the vendors and instill sustainability culture throughout the organization.

Cost reduction or efficiency is influenced by the nature of the business arrangement typical for geothermal, wherein the electricity tariff is fixed during the long-term contract with only inflation as adjustment factor. To achieve sustainable profitability, company needs to continuously adopt cost efficiency program. Although the cost efficiency driver relates to the economic aspect, depending on how the strategy is being formulated and implemented, it can contribute to more than just the economic reason. Driven by cost efficiency, the company's specific driver for sustainability integration is through continuous innovation throughout all of the company's business processes. HT stated, "We have to continuously improve by finding a new way to do things so the work can be done faster, producing more output and/or at a cheaper cost." The company's innovation does not only generate cost efficiency but, at the same time, create environmental value. The findings support that sustainability strategic investment should lead to innovation, opportunity, and competitive advantage (Cici & D'Isanto, 2020). Innovation to reduce, reuse, and recycle water by reusing brine and condensate water, reduce the use of ground water. Innovation in steam production resulted in more steam being produced and therefore green electricity being produced. Innovation in the process to reduce internal energy usage resulted in higher electricity net dispatch to PLN and therefore an increased supply of electricity from renewable resources. In its attempt to improve its operations, the innovation is not only performed at company level but contributed by all of its employees through programs like innovation day. This drives sustainability awareness and increases employees' motivation and qualification through training conducted. Finally, the ultimate strategic objective of the company is to attain competitive advantage as trusted geothermal power producer and reputation as sustainable company. The findings support that integration sustainability's ultimate goal is increasing competitiveness and supporting durable profitability" (Cici & D'Isanto, 2020).

The driver of sustainability evolves throughout the integration journey based on observations obtained from the sustainability report and interview with the company's personnel. The company starts its journey with legal compliance as the driver, with increasing focus on cost efficiency. As the company shapes its focus on sustainability, innovation becomes the specific driver driving sustainability strategies and activities. In the end, legal compliance, cost efficiency, and innovation all connected together to create a competitive advantage and improve the company's reputation with value created in Section 5.3.

5.2. SUSTAINABILITY STRATEGY EVOLUTION AND TRANSFORMATION

The study supports that sustainability integration into company strategy is a journey and does not happen right away. Four types of sustainability strategies are observed throughout the company's sustainability journey: introverted, extroverted/transformative, conservative, and visionary (Baumgartner, 2009). The company embarked on its integration journey and aligned its strategy focus along the way in line with the driver. Up to 2010, the company adopted introverted strategy focusing on ensuring compliance with regulations and social aspects to minimize the risk of disruption to its operation from the community. This is confirmed through the interview and the disclosure in the 2009 sustainability report. The degree of stakeholders' involvement, in particular the community, is more on providing transparent information. From 2010 to 2014, the company explained that it started to involve its stakeholders in strategy formulation and implementation, as also evident in the company's sustainability report, wherein materiality of matters were reported in its sustainability report, indicating a shift from sustainability strategy to an extrovert strategy. Such an effort prepares the company to build a reputation. Driving by cost efficiency, the company adopted conservative strategy from 2015 to 2018 by improving its processes wherein attempts were made to ensure stability of electricity produced, reduce emission and waste leading to competitive advantage of lower cost and yet reliable producer. The innovation can be seen in the improvement of sustainability performance. From 2018 onwards, the company adopts visionary strategy that focuses on sustainability issues in all business activities and enhances its stakeholder engagement, further building up competitive advantage and reputation. The company's sustainability integration journey is similar to the corporate social responsibilities (CSR) evolution from philanthropic to strategic CSR (Visser, 2011) and supports results of previous study wherein sustainability integration must focus on innovation and stakeholder requirements as well as efficiency (Baumgartner, 2014).

Along its journey, when facing strategic uncertainties (land slight), the company aligns its sustainability strategy for reforestation with Geohazard mapping, wherein the company maps the surrounding area to identify areas that are vulnerable to cause land slight and target those areas for reforestation as well as uses that data for its water conservation program. Such strategy not only benefited the company but also the safety of the community living in the company's working area.

5.3. SUSTAINABILITY INTEGRATION SUCCESS FACTORS

The study aims to evaluate the successful sustainability integration of the company using six internal criteria developed from the management control and previous study. Further, the study observes external criteria to evaluate external factors such as stakeholders' engagement and the impact of the company's sustainability initiatives on its stakeholders. Lastly, the study also noted an external independent assessment of the company's sustainability initiatives.

Based on the analysis of the primary and secondary data, the company has been successful in sustainability integration into its corporate strategies, which is supported by the achievement of sustainability performance, acknowledgment from the lenders through the successful issuance of its green bond, sustainability awards from external body and its impact to the stakeholders arising from collaboration and partnership with the stakeholders in sustainability strategy formulation and implementation. The findings show that all six internal criteria are present and contributed as the key success factors along the company's integration journey. Each of the success factors is discussed below.

5.3.1. Belief systems

Integration means corporate sustainability must become part of the company's vision, culture, governance, management, and performance systems (Steyn & Niemann, 2014) As business case for sustainability is created through strategic management (Schaltegger et al., 2012), the study evaluated the presence of management control and its role to support sustainability integration in the company. The belief systems are one among four levers of control which are crucial in supporting the intended strategies to realized strategies. Management's vision expressed in the mission statement motivates the organization to accomplish its overall mission (Simons, 1994). Previous research has stressed the importance of organizational culture in the implementation of corporate sustainability (Brunner, 2006). It viewed sustainability-centered cultures as reinforcement of environmental and social values and guidance of managers and employees' behavior and suggested a holistic framework that integrates sustainability into the strategic decision-making process right from the beginning as sustainability is embedded into vision and organization culture and continually addressed in planning and decision-making (Bonn & Fisher, 2011).

The company has a clear vision of sustainability from the beginning as it built on the foundation by embedding SHE throughout its operation for legal compliance. The vision translates into the same sounding mission. Ultimately, it shaped the company's culture in prioritizing sustainability in all aspects of the operation, starting with focusing on the environmental and social aspects of safety and health of its employees and vendors. The result of the interview with management and employees supports employees' strong awareness and understanding of the company's vision with sustainability as the core element of the company's overall strategy. ZA stated, "Sustainability is the responsibility of every personnel in the organization and sustainability performance is achieved through the collective effort of all departments." The culture is strengthened by employees' active participation in strategy formulation, channeled through the department head. It is evident that the belief system of the company is one of the key success factors of the sustainability integration.

5.3.2. Organization structure

In the sustainability strategies implementation phase, the fit between strategies, organizational structure, and organizational processes is essential (Engert et al., 2016). The company's organization is structured by function aligned with its strategies, which enables cascading sustainability throughout the organization. When the company starts its journey, corporate social responsibilities are assigned to a unit under relation and corporation SHE. This is consistent with the focus on CSR in the early stages (Visser, 2011). Now, there is no department specifically responsible for sustainability strategies formulation and implementation supporting sustainability as responsibility of everyone in the organization. The company's strategy formulation, using top-down and bottom-up approaches, enables employees' participation through their group chief officer. Since the employees are the ones implementing the strategy, having their participation ensures the feasibility of the strategies and supports a successful implementation. Thus, by putting sustainability as the responsibility of every personnel in the organization and providing a channel for employees' participation, it supports the successful integration of sustainability into the company's strategy. The finding supported organization structure as one of the key success factors supporting successful sustainability integration.

5.3.3. Leadership

Successful implementation of sustainability strategies requires the acceptance and commitment of top management and the managers responsible (Engert & Baumgartner, 2016). ZA stated, "The initial barrier for sustainability integration is getting management buy-in to escalate sustainability initiatives beyond what has been done. Sustainability initiatives must be carefully selected for its contribution to the economic benefit due to the cost concern." This confirms previous study which stated lack of leadership support as one of the barriers to corporate sustainability strategy implementation (Engert & Baumgartner, 2016). As the company continues its journey, management commitment to sustainability becomes evident and investment for sustainability initiatives is being budgeted and spent. As investment needs to be evaluated and approved, including investment in sustainability priorities, leadership commitment is one of the key success factors to sustainability strategy implementation, which was also confirmed by the interviewee during the interview. The study confirms leadership commitment as one of the key success factors to successful sustainability integration.

5.3.4. Employees' motivation and qualification

Previous case study identified employees' motivation and qualification as additional key success factors noted to support successful sustainability integration (Engert & Baumgartner, 2016). The company made a continuous effort to motivate its employees and build the capability of its employees to enable them to drive innovation. The interviewee explained that employees' motivation is strengthened through their high involvement in strategy formulation using a combination of top-down and bottom-up approaches. The company also has program for employee such as innovation day, which provide an opportunity for employee to innovate and submit his/her innovation for annual competition among employees. Such a program instills sustainability culture and supports the company's strategy for innovation. The management also states that sustainability initiatives and company reputation are keys to attracting and retaining best talent. As disclosed in the sustainability report, the company has a low turnover rate, and both interviewees have been working with the company for more than 20 years. Employee motivation was also shown in the interviewee when they enthusiastically explained the company's sustainability strategy and initiatives.

The company also has a comprehensive employee career development program, including leadership training. When the company first prepared its sustainability report, employees responsible for it were trained for reporting. This is evident in the number of training hours as published in the sustainability report. The employee also regularly trained for SHE as part of ISO certification. The capability building supports the company's effort to continuously innovate and improve its production process. The most recent innovation of the clamping box significantly reduces the leakage of steam and the company is currently considering to register the innovation for patent. The finding confirms employees' motivation and qualification as one of the key success factors to successful sustainability integration.

5.3.5. Policies and procedures

The company must comply with strict SHE regulations and therefore establishes clear operational policies and procedures as a boundary system covering the SHE aspects. The company's policies and procedures on SHE are published on its website and made available to the vendor. It also used the Contractor Safety and Health Environmental Management System for vendor selection to screen vendor based on SHE criteria. Policies and procedures on

SHE set up boundaries to mitigate the legal compliance and operational risks such as damage to environment,safety, and health risk to the employee and vendor.

For boundary on allocation of resources, under the joint operating contract, the company's spending is governed by a work plan and budget (WP&B) discussed and agreed upon with PGE as the owner of geothermal license on behalf of the government. The WP&B enumerates activities such as drilling and well operations and budgets for each of the activities, including exploration of geothermal potential that has not been developed. It serves as boundary of activities agreed upon with the main stakeholder to ensure the strategy implementation to optimize the geothermal potential is realized within the boundary (Simons, 1994). The existence of boundary systems supports the successful integration of sustainability as it supports strategy implementation for the intended strategy to translate to realized strategy.

5.3.6. Performance measurement systems

The company incorporates sustainability into its performance measurement system by setting a sustainability performance indicator covering all aspects of business activities and applying across all functions. This is consistent with previous study that states to measure the success of sustainability integration, sustainability strategy must be translated into measurable goals (Epstein and Roy, 2001). The interviewee explained that key performance indicators (KPI) are discussed and agreed upon along with the strategy formulation and refinement on an annual basis and that the sustainability performance is collectively set across all functions. The company did not use BSC for mapping key performance indicators to its strategy and KPIs are aligned with the budget discussion.

KPIs are monitored on a regular basis. Operational KPIs such as electricity dispatch, emission, steam supply, and water usage are monitored through integrated performance measurement systems, which provide information on a real-time basis. It enables immediate and necessary corrective action to be undertaken. Other KPIs are monitored on a monthly basis. Bi-weekly and monthly meetings are held not only among the working units but also with the stakeholders to evaluate performance and discuss necessary corrective actions or ways to improve the process. These meetings and discussions become a means of communication, consultation, and participation among personnel as well as with the stakeholders. Both diagnostic and interactive control support innovation to improve the production process. As disclosed in the sustainability report, the interactive control results in numerous innovations to improve the process. The study shows that effective management control in the company supports the integration of sustainability. This is consistent with previous study which states that integrating sustainability into business means to succeed in measuring and monitoring environmental, social, and economic impacts of the corporation (Cici & D'Isanto, 2020).

Based on analysis performed using the strategy map in Figure 4, the company's strategy and KPIs are linked with its strategic objectives.

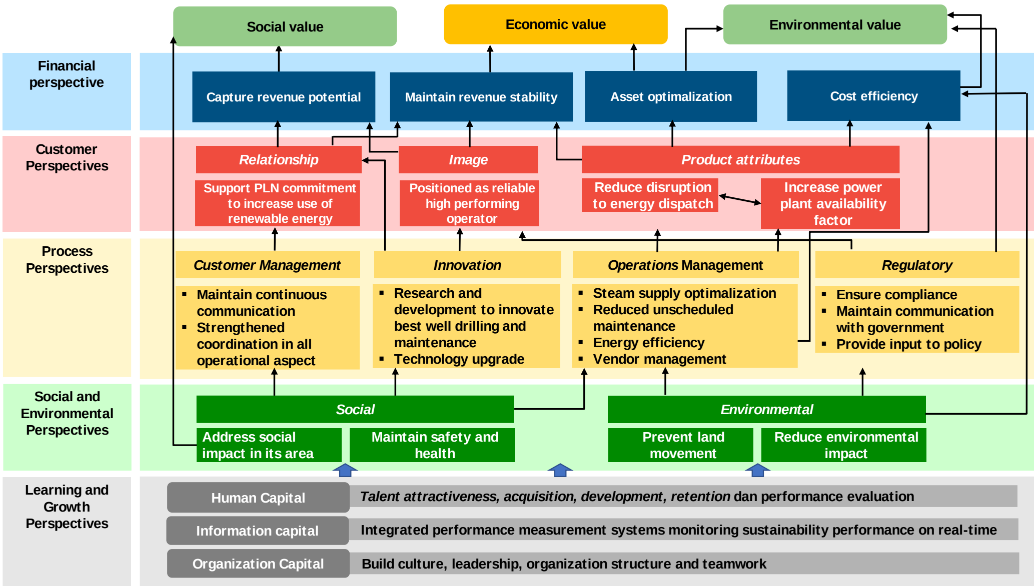

Figure 4. Mapping of the company's strategy

5.3.7. Stakeholders engagement

During the initial phase, the company only involved its main stakeholders, PLN, PGE and vendor since the engagement is imperative to its operations. To ensure minimal disruption to the electricity dispatch, the company has to collaborate closely with PLN and b-weekly meeting is held. While a quarterly meeting for review of WP&B is conducted with PGE to coordinate geothermal activities. As discussed earlier, the company also heavily involved its employees in strategy formulation and implementation. At current, the company involves all of its main stakeholders, including the state government and community, in formulating the strategy for community development as well as collaborating on its environmental priorities such as reforestation. Such an approach is consistent with moral management of stakeholders (Carroll, 1991). The study shows that industry sectors influence stakeholders' engagement wherein the company must collaborate closely with the stakeholder for strategy formulation and implementation. Building on its experience in managing its main stakeholders as part of its operation, the company successfully adopted the same strategy with the other stakeholders. As the company embarked on its sustainability journey, the company shifted to strategic CSR to achieve shared-value with its stakeholders. This is evident in reforestation initiatives wherein the company shares its knowledge with the community to do proper revegetation. The collaboration ensures that the company's resources are allocated to the right sustainability priorities and programs that meet the stakeholders' needs. This is consistent with the previous study, which states companies that pursue initiatives that are linked to the stakeholders' preference and allocate resources strategically are more successful than those that do not (Michelon et al., 2013).

5.3.7. Impact to stakeholders and recognition

One indicator that measures the success of sustainability integration is the entity's impact on the stakeholders, or whether the company's sustainability initiatives impact the stakeholders to transform. As the vendor must comply with the company's policies and procedures for SHE, the vendor is mostly impacted and influenced by the company. This is strengthened with the vendor selection and annual evaluation, in which the vendor has to pass the SHE screening. One of the indicators for the company's successful effort is the PROPER EMAS award, an award given to a company who goes beyond legal compliance with one of the selection criteria, which is the entity impact on the stakeholders. The company also won other awards for sustainability. The study supports previous study which showed that company with capability-oriented model through innovation as the driver perform better in both short-term financial performance and long-term sustainability performance (Longoni & Cagliano, 2015).

5.4. SHARED VALUE CREATED

In summary, the integration contributed to value creation in all three sustainability performances (economic, environmental, and social) enjoyed by the company, current stakeholders, and future stakeholders i.e., conservation of natural resources. As seen in the sustainability report, the company balanced the three aspects of sustainability performance (economy, environmental, and social). Three main shared-values created are optimum renewable energy production; conservation of the environment for current and future stakeholders; and providing a better life to its employees and the community. The study supports the result of previous study that is not only integrating sustainability to create value for the company but it also responds to the stakeholders' demand for solving environmental and social issues (Murthy, 2012). In 2018, the group capitalized on the improved process of the company to another geothermal block acquired by the group. Further capitalizing on the company's reputation and experience, the group also issued another green bond with even a lower interest rate. The study supported previous research wherein, company with a capability-oriented model through innovation as the driver perform better in both short-term financial performance and long-term operational and sustainability performance (Longoni & Cagliano, 2015).

Figure 5 summarized the shared-value created by the sustainability integration.

Sustainability strategies	Shareholders	Employees	Investor	Government, PLN and PGE	Vendor	Community
Asset optimalization	• Profitability • Competitive advantage to bid new geothermal project • Reputation • Financing with lower interest rate	• Welfare • Knowledge	Return of its green investment	• Clean energy • PNBP	Economic benefit	• Clean energy • Improve life through increase fund for CSR
Operational efficiency				• Lower energy price and subsidy • PNBP	Knowledge sharing	• Affordable clean energy • Fund for CSR
SHE initiatives • Emission • Waste • Reforestation • Water conservation	Reduce risk	• Health • Safe working environment • Knowledge	-	Support SDGs commitment	• Health • Safe working environment • Knowledge	• Improve life condition • Preservation of non-renewable resources
Retention and human capital development	Human capital enhancement	• Welfare • Knowledge	-	-	• Safe working environment • Knowledge	-
Community development	Reputation	• Minimal operation disruption • Self fulfillment	-	Support SDGs	Minimal operation disruption	Improve life condition

Figure 5. The company's shared value creation

6. Conclusion and Recommendation

The study aims to increase knowledge concerning the success factors of sustainability integration into strategy and strategy implementation with the aim of answering the research questions of gaining a deeper understanding of the driver of sustainability integration, the key success factors supporting the integration, and the shared value created by the successful integration. The results of the case study confirm the relevance of drivers identified in previous studies (Engert et al., 2016) and enhanced previous study by demonstrating that the industry drivers, i.e. legal compliance, played an important role in establishing the foundation for the sustainability integration as it embedded sustainability awareness to the employee in the organization as well as the external stakeholders. It also marks the nature of the industry sector as having an important role in driving sustainability integration and all drivers are interconnected throughout the journey to ultimately create competitive advantage and enhance the company's reputation. The study also reveals the importance of choosing appropriate sustainability priorities when cost concern is a critical consideration factor. Through observing the company's sustainability integration journey, management control play an important role as a key success factor as it confirms six internal success factors supporting successful sustainability integration: belief system, organizational structure; leadership; employee motivation and qualifications; policies and procedures, and performance measurement systems. The success of the integration is evident by three external factors: stakeholder engagement, the impact of the sustainability strategy on the stakeholders, certification and award by third parties.

On its tenth anniversary, it is worth noting that, in the long term, investment in sustainability integration pays off. The company obtained a more competitive financing from the green bond, and the improved processes forged through innovation are capitalized to support new geothermal blocks acquired by the group. With the introduction of carbon trading in Indonesia, the company can further capitalize on its carbon credit previously obtained through clean development mechanisms. Through its sustainability integration, the company ultimately creates shared-value that benefits its stakeholders.

The study concluded that the company successfully integrated sustainability into its strategy and recommended the company further escalate its sustainability initiatives by targeting to formulate a strategy to control and measure scope 2 and 3 emissions. Further, the company can also consider using BSC to map its KPIs to its strategy to ensure its linkage with strategy.

The study supplements and enhances knowledge in the existing literature with practical evidence as it provides a useful insight to other companies coping with the challenges of sustainability strategy integration and implementation. The results provide evidence that successful sustainability integration contributes to shared value. However, there are a few limitations worth noting. As this is a single case study performed on a specific sector, it may not lead to definitive conclusions for all companies in the industry sector as well as for companies in other industry sectors. This case study presents a well-positioned company that belongs to a group that is a major player in the geothermal power industry. The company has a clear strategic focus and has already gone a long way in its journey to integrate sustainability measures into strategic management. Future research focusing on the implementation of sustainability integration of companies in the geothermal power industry or other renewable sectors would be beneficial as it would allow for comparative analysis in the field. More long-term research and observation in the same sector, particularly of a company which has not yet formulated sustainability strategies or a group of companies, would be useful in highlighting potential differences in the integration. Research on the latter would help reveal differences with respect to the impact of the level of organizational complexity, organizational structure, and synergy between companies within the group.

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APPENDIX

Appendix 1. Profile of the interviewees

Personnel	Length of working	Responsibilities
Chief Executive Officer	> 10 years	Formulation of overall strategies and implementation of strategies of the Company
Head of SHE Department	> 20 years	Formulation and implementation of SHE strategies including setting KPIs and monitoring progress
Communication Manager	> 20 years	Managing engagement with stakeholders both internal and external